



Why The Stars Group Inc. Rose 2.13% on Thursday

Description

The Stars Group Inc. (TSX:TSGI)(NASDAQ:TSG), one of the world's leading online gambling companies, announced its third-quarter earnings results before the market opened on Thursday, and its stock responded by rising 2.13% in the trading session that followed. Let's break down the quarterly results and the fundamentals of its stock to determine if this could be the start of a sustained rally higher and if we should be long-term buyers today.

Another quarter of double-digit growth

Here's a quick breakdown of eight of the most notable financial statistics from The Stars Group's three-month period ended September 30, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2016	Change
Poker revenues	US\$221.39 million	US\$196.85 million	12.5%
Casino & Sportsbook revenues	US\$95.16 million	US\$64.20 million	48.2%
Other Gaming revenues	US\$12.68 million	US\$9.63 million	31.6%
Total revenue	US\$329.44 million	US\$270.68 million	21.7%
Adjusted EBITDA	US\$155.77 million	US\$123.16 million	26.5%
Adjusted cash flow from operations	US\$141.99 million	US\$84.98 million	67.1%
Adjusted net earnings	US\$119.60 million	US\$84.98 million	40.7%
Adjusted net earnings per diluted share (EPS)	US\$0.58	US\$0.42	38.1%

Comments regarding its 2017 guidance

In the press release, The Stars Group reconfirmed its outlook on the full year of fiscal 2017, which was previously announced [on September 15](#). Here's a summary of what it expects to accomplish:

- Total revenue in the range of US\$1,285-1,315 million
- Adjusted EBITDA in the range of US\$590-610 million
- Adjusted net earnings in the range of US\$445-469 million
- Adjusted EPS in the range of US\$2.17-2.31

What should you do now?

It was a fantastic quarter overall for The Stars Group, and it posted great results for the first nine months of 2017, with its revenue up 12.7% to US\$952.07 million, its adjusted cash flow from operations up 41.4% to US\$393.24 million, and its adjusted EPS up 27.6% to US\$1.71 compared with the same period in 2016.

With the strong results in mind, I think the market responded correctly by sending The Stars Group's stock higher in Thursday's trading session, and I think it could continue higher from here, because it's still undervalued; its stock still trades at just 9.6 times the median of its adjusted EPS outlook for fiscal 2017 and only 9.3 times the consensus analyst estimate of US\$2.31 for fiscal 2018, both of which are incredibly inexpensive given its current growth rate; I also think the estimate for 2018 is much too low.

The Stars Group's stock has risen more than 20% since its second-quarter earnings [release in August](#), and I think it still represents an incredible long-term opportunity today, so take a closer look and consider adding it to your portfolio.

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